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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

MAY 18 2012

DOCKETED BY

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IN THE MATTER OF THE APPLICATION)
OF UNS ELECTRIC, INC. FOR APPROVAL)
OF REVISED PRICING PLAN RIDER-3)
MARKET COST OF COMPARABLE)
CONVENTIONAL GENERATION)

DOCKET NO. E-04204A-12-0125

DECISION NO. 73159

ORDER

Open Meeting
May 10, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc ("UNSE" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On March 30, 2012, UNSE filed an application for approval of its revised Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG"). UNSE's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

3. The Commission's Decision No. 71412 approving UNSE's Net Metering tariff ("NM-PRS") stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. UNSE has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed

1 Pricing Plan Rider-3 applicable to the NM-PRS. ... The proposed Rider-3 indicates that the
2 MCCCCG will be filed annually (by April 1) by UNSE for approval by the Commission.

3 **Proposed Tariff**

4 4. UNSE's proposed revision to Pricing Plan Rider-3 would decrease the MCCCCG and
5 would therefore decrease the avoided cost rate from 3.9791¢ per kWh to 2.9003¢ per kWh for
6 purchases of excess energy from Net Metering Facilities.

7 5. Staff has reviewed UNSE's hourly marginal costs that resulted in the 2.9003¢ rate
8 and finds the data and calculations to be reasonable.

9 **Recommendations**

10 6. Staff has recommended that UNSE's revised Pricing Plan Rider-3 (MCCCCG) as
11 applicable to Pricing Plan Rider-4 NM-PRS be approved.

12 7. Staff has further recommended that UNSE file a Pricing Plan Rider-3 consistent
13 with the Decision in this case within 15 days of the effective date of the Decision.

14 **CONCLUSIONS OF LAW**

15 1. UNSE is an Arizona public service corporation within the meaning of Article XV,
16 Section 2, of the Arizona Constitution.

17 2. The Commission has jurisdiction over UNSE and over the subject matter of the
18 application.

19 3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as
20 contemplated by A.R.S. Section 40-250.

21 4. The Commission, having reviewed the application and Staff's Memorandum dated
22 April 24, 2012, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

23 **ORDER**

24 IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Pricing Plan Rider-3 be
25 and hereby is approved as discussed herein.

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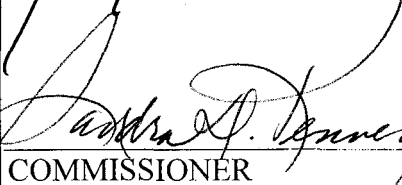
IT IS FURTHER ORDERED that UNS Electric, Inc. shall file a revised tariff consistent with this Decision with Docket Control, as a compliance matter to this docket, within 15 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

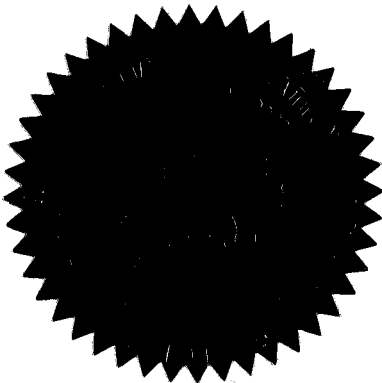

CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 18th day of MAY, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:sms\RRM

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